

# State Employee Health Insurance Blue Ribbon Panel Discussion

April 27, 2005

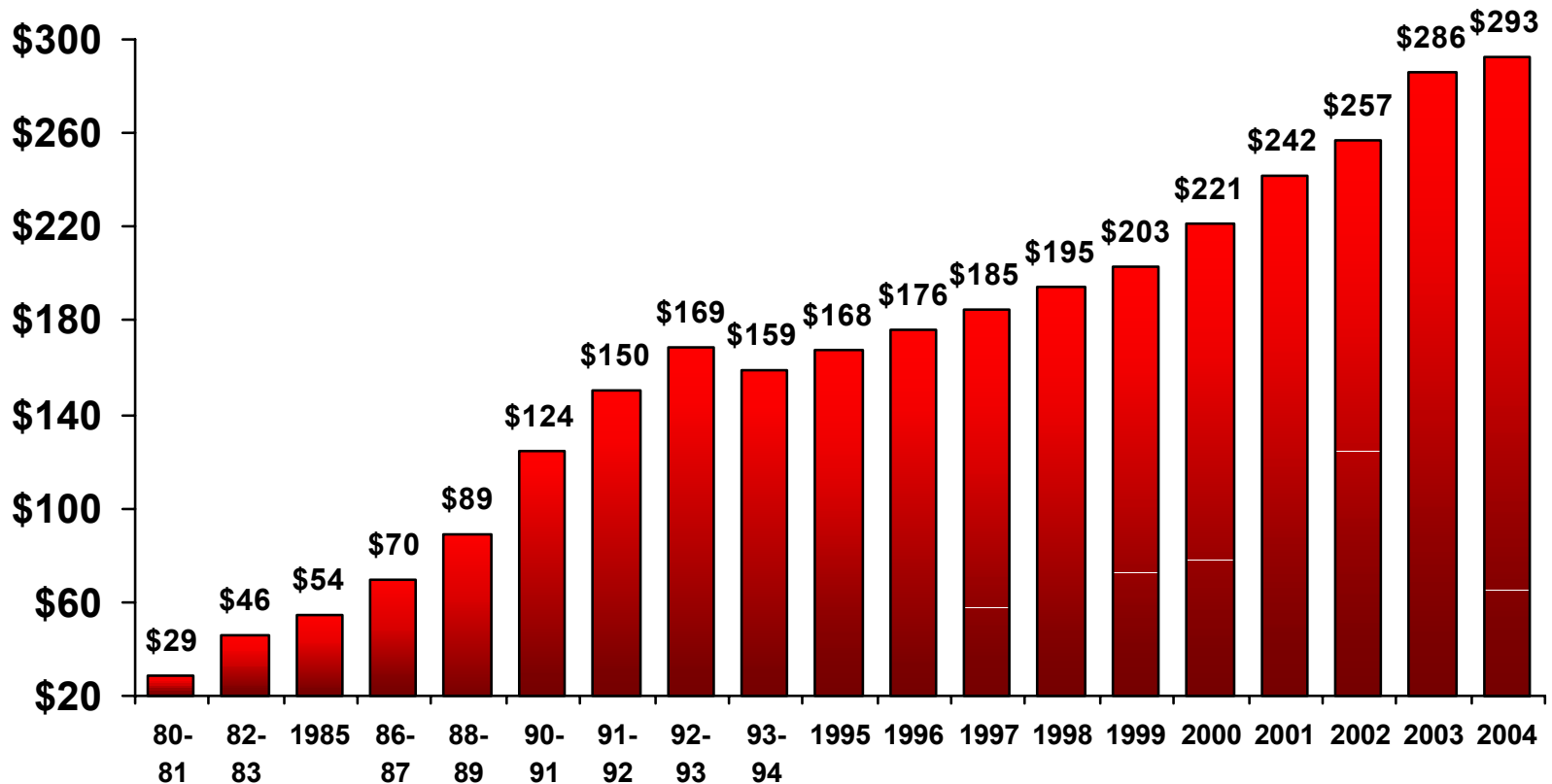


# Agenda

- Introductions Secretary Roberts  
Undersecretary Birdwhistell
- History and Current Situation Commissioner Wilcoxson
- HB 1 Implementation Commissioner Wilcoxson
- 2006 Plan Year Undersecretary Birdwhistell
- Recap and Next Steps Secretary Roberts  
Undersecretary Birdwhistell

# History and Current Situation

## Historical Commonwealth Health Insurance State's Average Monthly Contribution



# Current State

Covered Population:	<b>228,000 members</b>
2004 Medical and Prescription Spend:	<b>\$741 Million*</b>
2005 Medical and Prescription Spend:	<b>\$935 Million (est.)*</b>
State Contribution for Employees:	<b>97% of Premium</b>
State Contribution for Dependents:	<b>33% of Premium</b>
2006 Projected Total Cost (No Change)	<b>\$1.23 Billion*</b>

\*Includes both Kentucky spend and employee/retiree contributions

# House Bill 1 Implementation

- Official communication of the benefits was given to the Employee Advisory Committee (EAC) for their review prior to release of the Request for Proposals
  - Benefits are identical to 2005 employee benefits
  - Administration has been working with the EAC on formulary, implementation and benefit issues related to the health plan
- Report will be given upon request to the Interim Joint Committee on Appropriations and Revenue

# Commonwealth Approach

- The current situation is not sustainable
  - Cost of health insurance is rising too rapidly
  - There is a lack of consistency in network access across the State
  - State continues to encounter service issues
- The administration wants to approach Healthcare on a global basis as we address the common cost factors “cost drivers” of the increases in health insurance costs
- **Cost Drivers:**
  - Demographics
  - Technology Advances
  - Regional Cost/Access Variations
  - Pharmacy Costs
  - Utilization

# 2006 Plan Year

- Goal of Commonwealth is to create Consistency and Stability
  - Consistent service levels and network access across the State
  - Stability in health plan choice from year to year for employees
- Self-insuring Statewide
  - Self-insuring transition from “illness model” to “wellness model” of health care
  - Institute industry best practices in health plan funding and administration
  - Introduce enhanced disease management programs and wellness incentives
  - Allows the Commonwealth to leverage the state’s purchasing power as the largest buyer of health care in the state to drive down costs through increased competition and transparency
  - Streamline plan administration and cost
  - Ensure best available network discounts
  - Secure best available pharmacy cost structure

# Self-Insurance

- **Moving to self insurance with current benefits**
  - January 2006 implementation with initial benefits identical to the ones currently offered to state employees.
  - Commonwealth will contract with a third party administrator or administrators that will perform functions including:
    - Claims administration
    - Network Access
    - Network Discounts
    - Disease Management
    - Member Services
    - Wellness Programs
    - Other Services
  - Consider altering benefits structure for the Plan Year July 2006 with recommendations from the Blue Ribbon Panel, 2006 Legislative Actions, Employee Advisory Committee, the Health Insurance Board and others.

# Timeline

## Estimated Dates

Release Benefits to Employee Advisory Committee (EAC)	4/15
Receive Response from EAC	5/7
Benefits Report to A&R	5/7 to 5/16
Release TPA RFPs	Mid May
Vendor(s) Selection	Early August
Negotiation/Contracting	8/15
Vendor Implementation	8/15 to 12/31
Open Enrollment Preparation	9/12 to 10/17
Open Enrollment	10/17 to 10/28
Enrollment Data Transfer	11/14
ID Cards	12/5
“Go Live”	1/1/06

# Recap and Next Steps

- **Self-Insurance:**
  - Convert all Employees to a self-insured program effective January 1, 2006 with the Current Benefit Plans on a Self-Funded Platform
  - Issue a RFP in May of 2005 for TPA(s) to administer the Commonwealth Self-Insured Plan
    - Focus on Best Practices in Administration
    - Technology/Data Management
    - Network Capacity and Pricing
    - Disease management/Wellness approaches
    - Pharmacy Administration
- Administration wants to openly communicate with the stakeholders throughout the development process to reach the best conclusions
- The Blue Ribbon Commission, Employee Advisory Committee, and Group Health Insurance Board will be utilized as a resource as further plans for the employee health insurance program are made